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Quotation of the month:

What isn't tried won't work.

----- Claude McDonald

Mortgage: Increase your income and save tax

There are bad loans and there are good loans. Bad loans are high in fees, high in interest and not tax deductible. Good loans are low in fees, generate positive return, low in interest and tax deductible.

Sadly, with the highest marginal tax rate at 46.5%, many people are paying large amount of tax, especially people who fit into the middle class categories in Australia. You could use some of that tax money for investing, for example negative gearing into properties where your tax money will partly pay off your investment properties.

If you have an investment property, you may not be aware that you can have your tax benefits contributed weekly, rather than wait for a refund cheque at the end of the year, immediately improving your cashflow and take home pay.

Many people have equity in their homes, equity being a portion of their house that they actually own. Much of that equity could be put to good use, because it is just sitting there.

Some of that equity could be used to buy another property for investment purpose.

The interest paid on mortgage is deductible only when the property is an income producing asset.

Unfortunately, many clients take out mortgages without careful planning and poorly structured. As a result the cost of their mortgage is too high, interest is not deductible and the capital gain is highly taxed.

When planned and structured properly, an investment property could save you tax and increase in value over time.

The average Australian residential property doubles in value every seven to ten years.

While your rent and tax is slowly paying your investment property off, it should also quietly increase in value.

The following are some tips modified from top Australian property investors:

- Select properties within sought after “lifestyle” locations that will attract consistent rental demand by quality tenants.
- Select properties within suburbs and streets where limited land is available.
- Select properties close to “water”, e.g. beaches, oceans and rivers.
- Select properties which offer high depreciation and taxation benefits.
- Try to pay off your loan as quickly as possible whilst keeping the flexibility.
- The cheapest interest rate does not always mean it's the best loan for you.

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